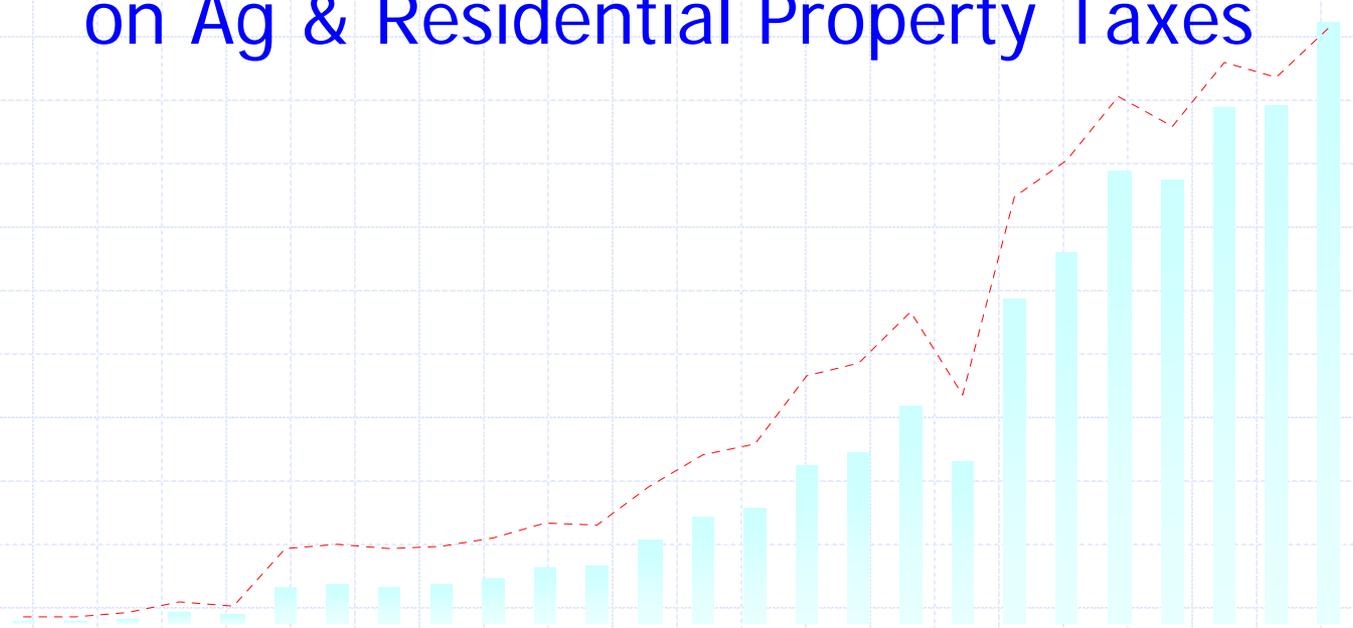


Ag Productivity Calculation – Future Impact on Ag & Residential Property Taxes



Jeff Robinson - Fiscal Services Division
Legislative Services Agency
515-281-4614

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House Ways & Means Committee
February 6, 2008

FY 2008 Statistics by Property Class

Assessment Year 2006 (Fiscal Year 2008)

Dollars in Billions

Class	Assessed Value (Billions)	Rollback Percentage	Taxable Value (Billions)	Taxes Paid (Billions)	Ag Productivity Factor	Effective Tax Rate Per Thousand *
Residential	\$111.5	45.5596%	\$50.8	\$1.8		\$16.07
Commercial	29.9	100.0000%	29.9	1.1		38.02
Industrial	5.0	100.0000%	5.0	0.2		35.51
Agriculture	21.6	100.0000%	21.6	0.6	25%	6.64
Other	3.8	100.0000%	3.8	0.1		29.36
Total	\$171.9		\$111.1	\$3.8		\$16.03

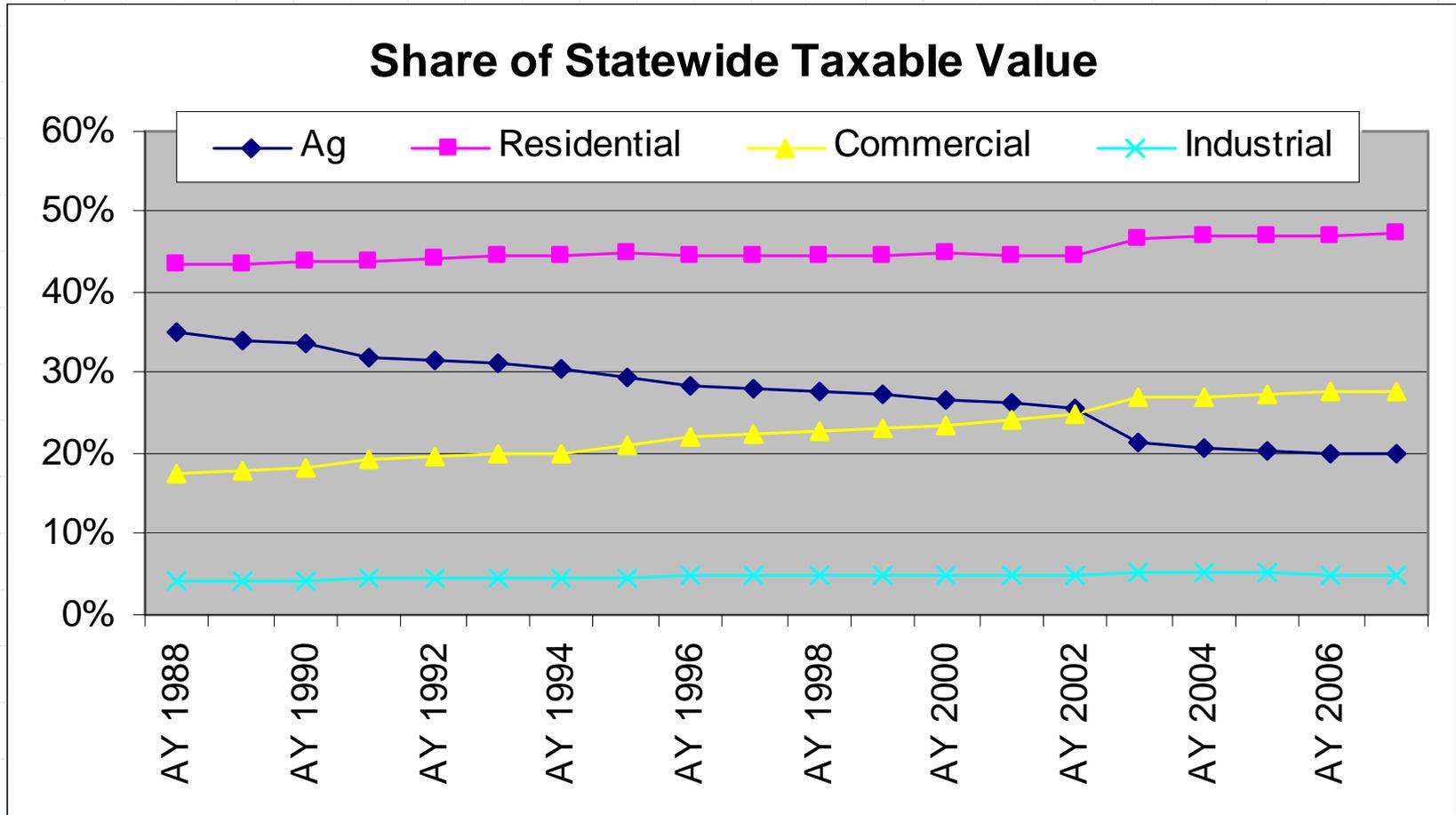
The Effective Tax Rate is Calculated by Dividing Taxes Paid by Assessed Value

The Assessed Value of agricultural property is adjusted for the ratio of the Ag Productivity Formula value per acre to the statewide market value per ag acre. That ratio for AY 2006 was around 25%.

Part of the difference in effective tax rates is due to property location (urban versus rural).

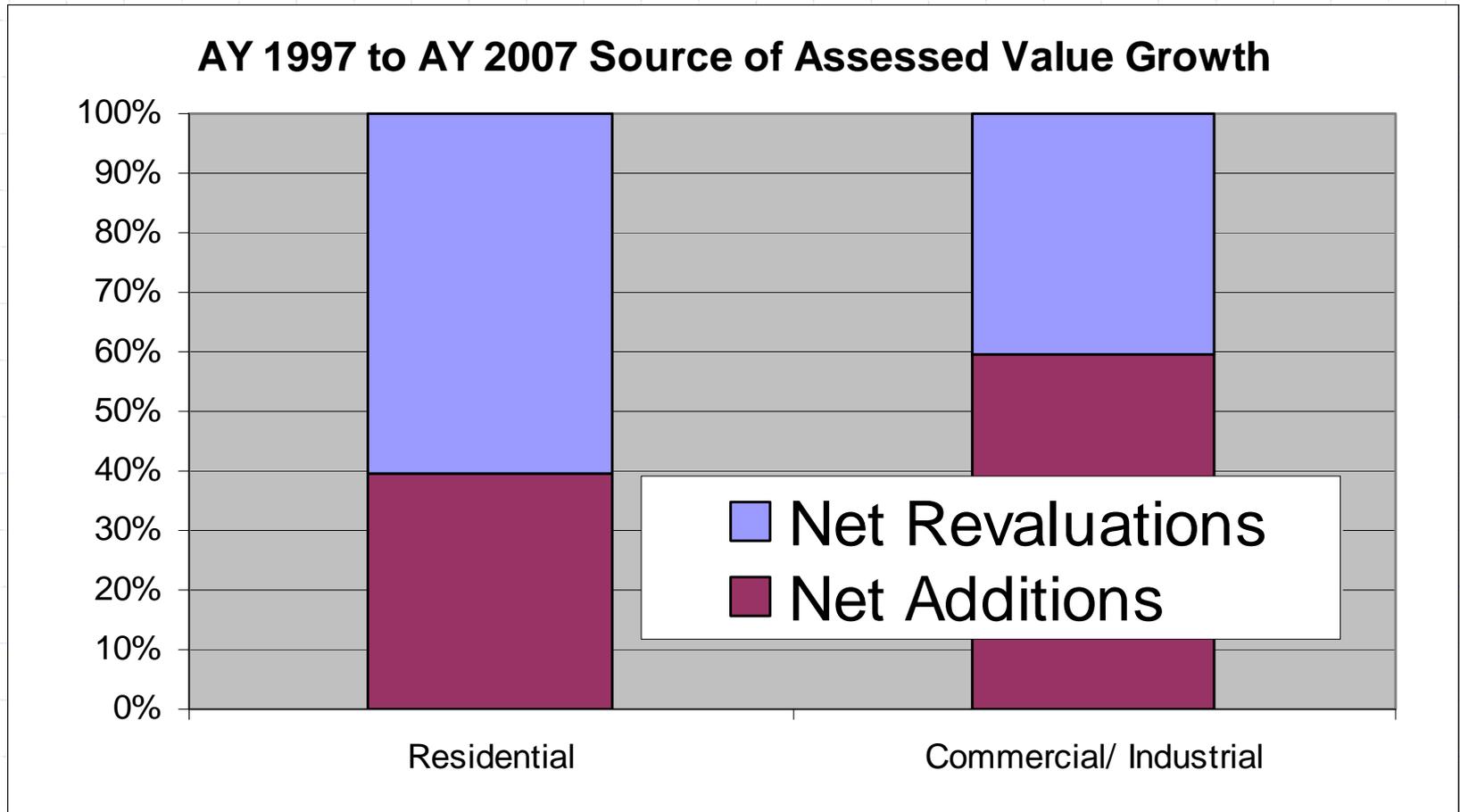
Share of Taxable Value by Class

Commercial's share of the burden has been increasing and so has residential's.



Percent of Value Due to New Construction Since AY 1988

Part of the reason commercial's share has grown relates to new construction.



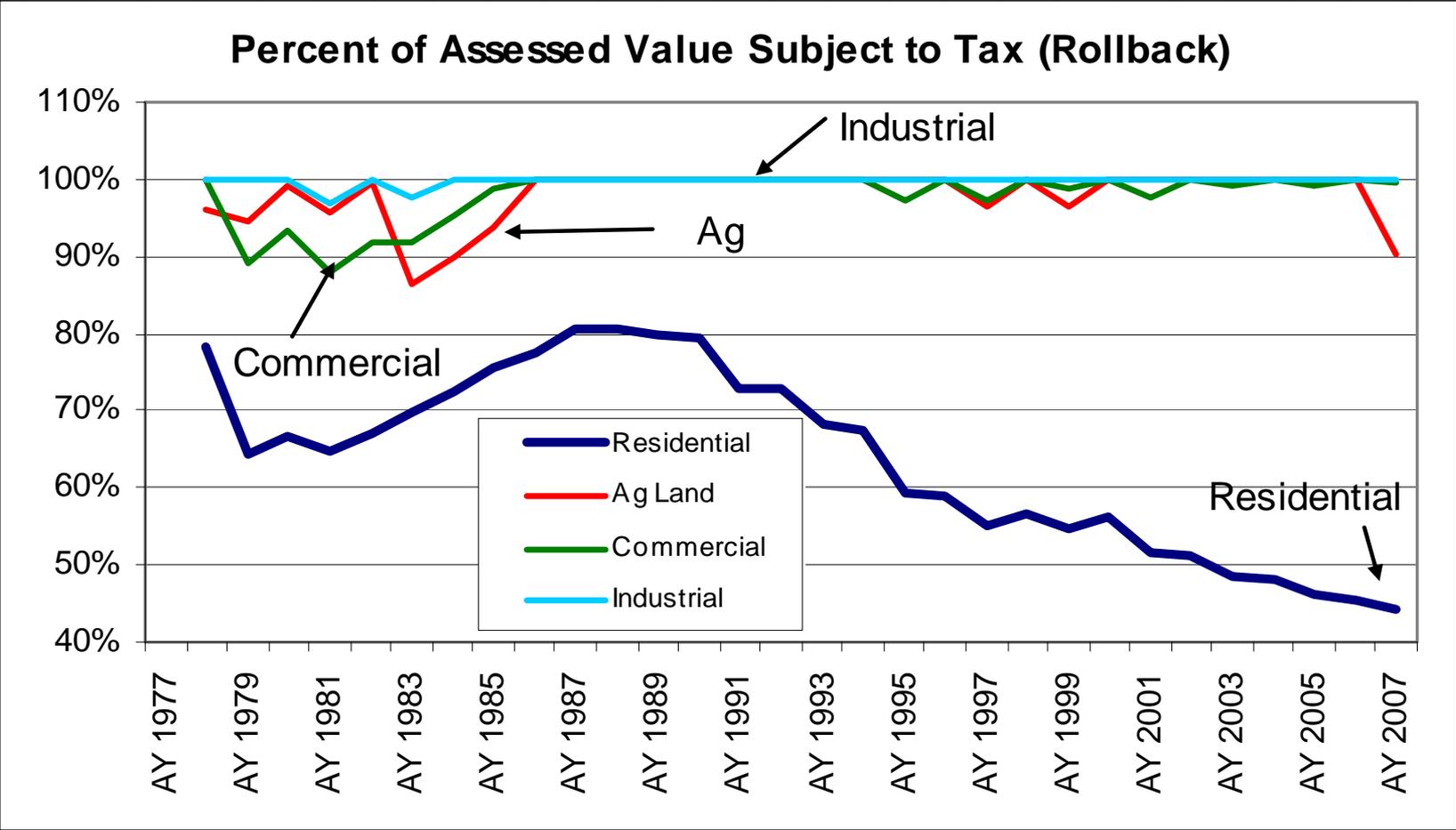
Taxable Value Limitation (Rollback)

- ◆ Iowa law limits *statewide* growth in taxable value *due to revaluation of existing property* to no more than 4.0% per year.
 - The rollback calculation determines the percentage of a property's actual value that will be taxable that year (productivity value, not actual value for ag).
 - The limitation is calculated from statewide property values.
 - The limitation applies individually by class to residential, commercial, industrial, and agricultural land & ag buildings.
 - Residences located on ag property are included in the residential calculation.
 - Any increase for a class above 4.0% growth in taxable value produces (or adds to) a rollback.
 - Once calculated, the rollback applies to new construction values also.
 - Example: If commercial taxable value due to revaluation grows 6.0% in a year, the rollback will limit growth to 4.0% and the 2.0% difference will produce a commercial rollback to 98.00%.

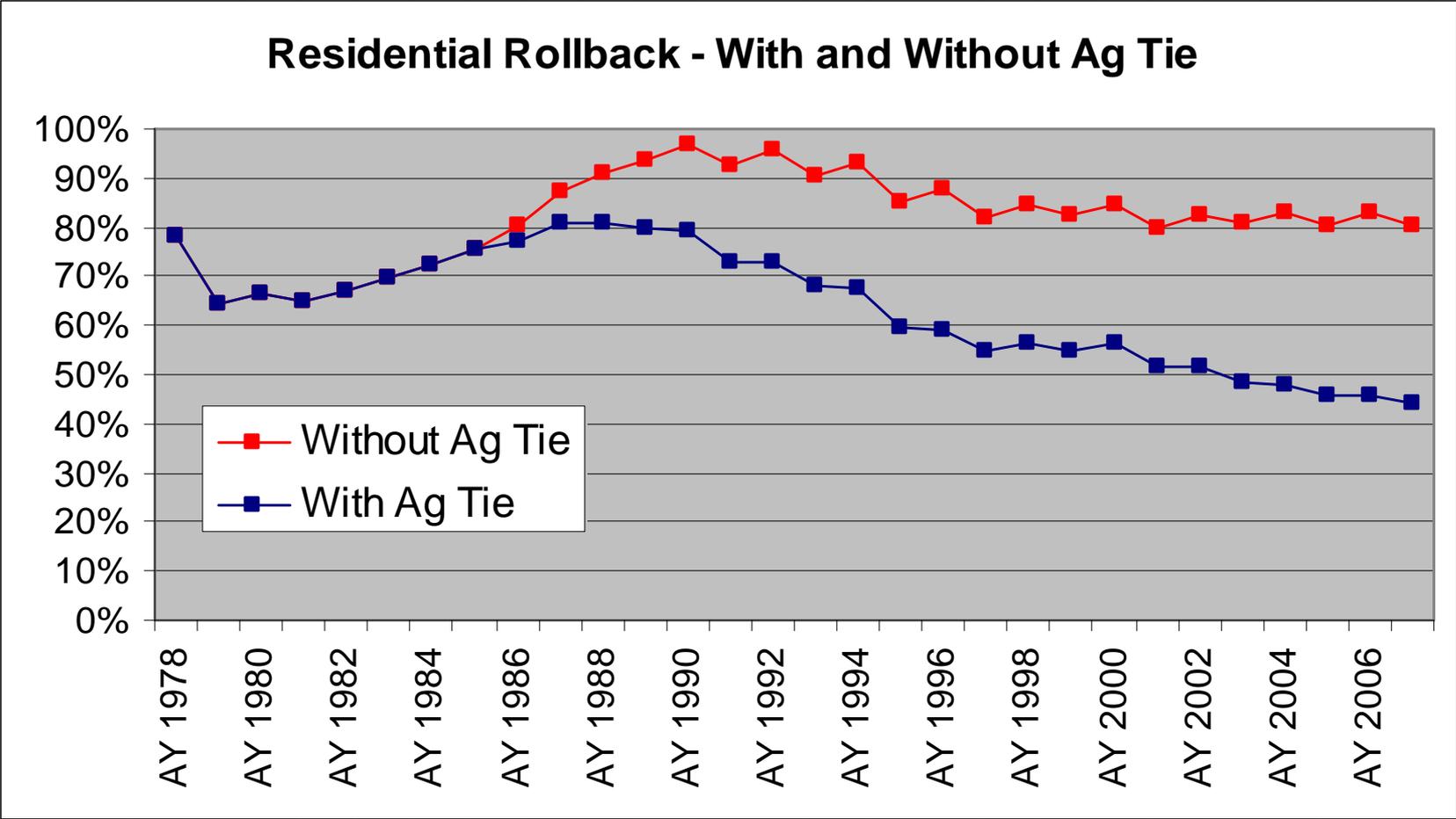
Taxable Value Limitation – Ag Tie

- ◆ In addition to the 4.0% limit, residential and ag property will be further limited if the taxable value growth due to revaluation in the other class is less than 4.0%.
 - So far, residential growth has never limited ag taxable values, and should not limit ag growth in the foreseeable future.
- ◆ Examples:
 - If residential taxable value grows 6.0% and ag taxable value grows 2.0%, residential taxable value will be allowed to grow only 2.0%.
 - If residential grows 6.0% and ag property falls 4.0%, residential taxable value will not grow.

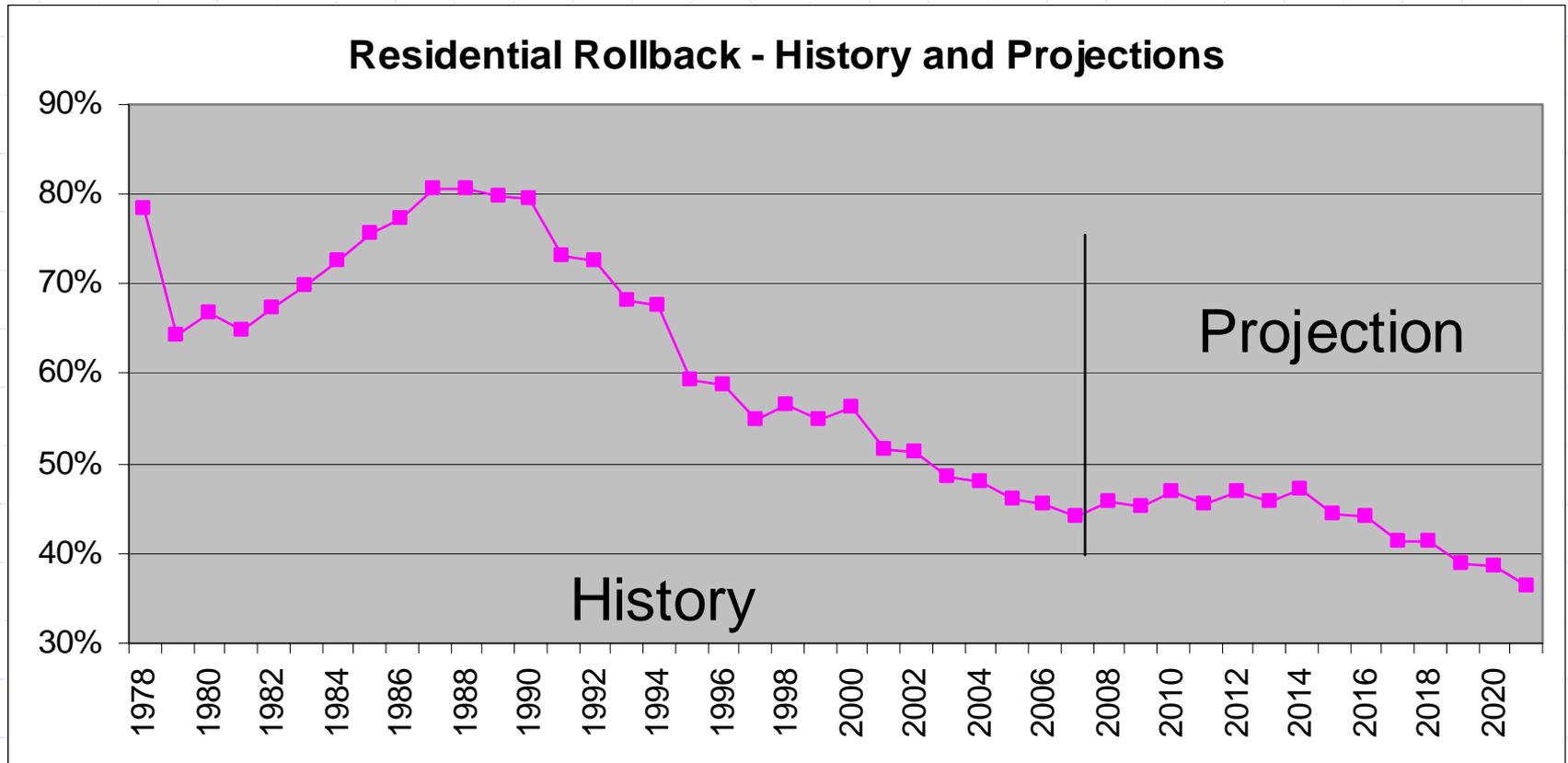
Rollback History - Actual



Rollback History – Ag Tie Impact



Residential Rollback – What does the Future Look Like?



Ag Productivity Formula – Agriculture and residential taxable value will grow 4.0% for FY 2009 through FY 2012 and probably for at least two more years beyond that.

Corn and Soybean Productivity Inputs - Individual Years

		<u>Corn Price</u>	<u>Yield</u>	<u>Acres Harvested</u>	<u>Value of Production</u>
FY 2003	CY 1999	\$ 1.72	149	11,800,000	\$ 3,024,104,000
FY 2004	CY 2000	1.75	144	12,000,000	3,024,000,000
FY 2005	CY 2001	1.90	146	11,400,000	3,162,360,000
FY 2006	CY 2002	2.22	163	11,850,000	4,288,041,000
FY 2007	CY 2003	2.37	157	11,900,000	4,427,871,000
FY 2008	CY 2004	1.99	181	12,400,000	4,466,356,000
FY 2009	CY 2005	1.94	173	12,500,000	4,195,250,000
FY 2010	CY 2006	3.15	166	12,350,000	6,457,815,000
FY 2011	CY 2007	2.90	171	13,850,000	6,868,215,000
		<u>Soybean Price</u>	<u>Yield</u>	<u>Acres Harvested</u>	<u>Value of Production</u>
FY 2003	CY 1999	\$ 4.53	44.5	10,750,000	\$ 2,167,038,750
FY 2004	CY 2000	4.49	43.5	10,680,000	2,085,964,200
FY 2005	CY 2001	4.35	44.0	10,920,000	2,090,088,000
FY 2006	CY 2002	5.54	48.0	10,400,000	2,765,568,000
FY 2007	CY 2003	7.70	32.5	10,550,000	2,640,137,500
FY 2008	CY 2004	5.76	49.0	10,150,000	2,864,736,000
FY 2009	CY 2005	5.54	52.5	10,000,000	2,908,500,000
FY 2010	CY 2006	6.25	50.5	10,100,000	3,187,812,500
FY 2011	CY 2007	8.50	51.5	8,520,000	3,729,630,000

Ag Productivity Formula – Next Time – FY 2011

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Factors Impacting Local Government Property Tax Revenue Growth

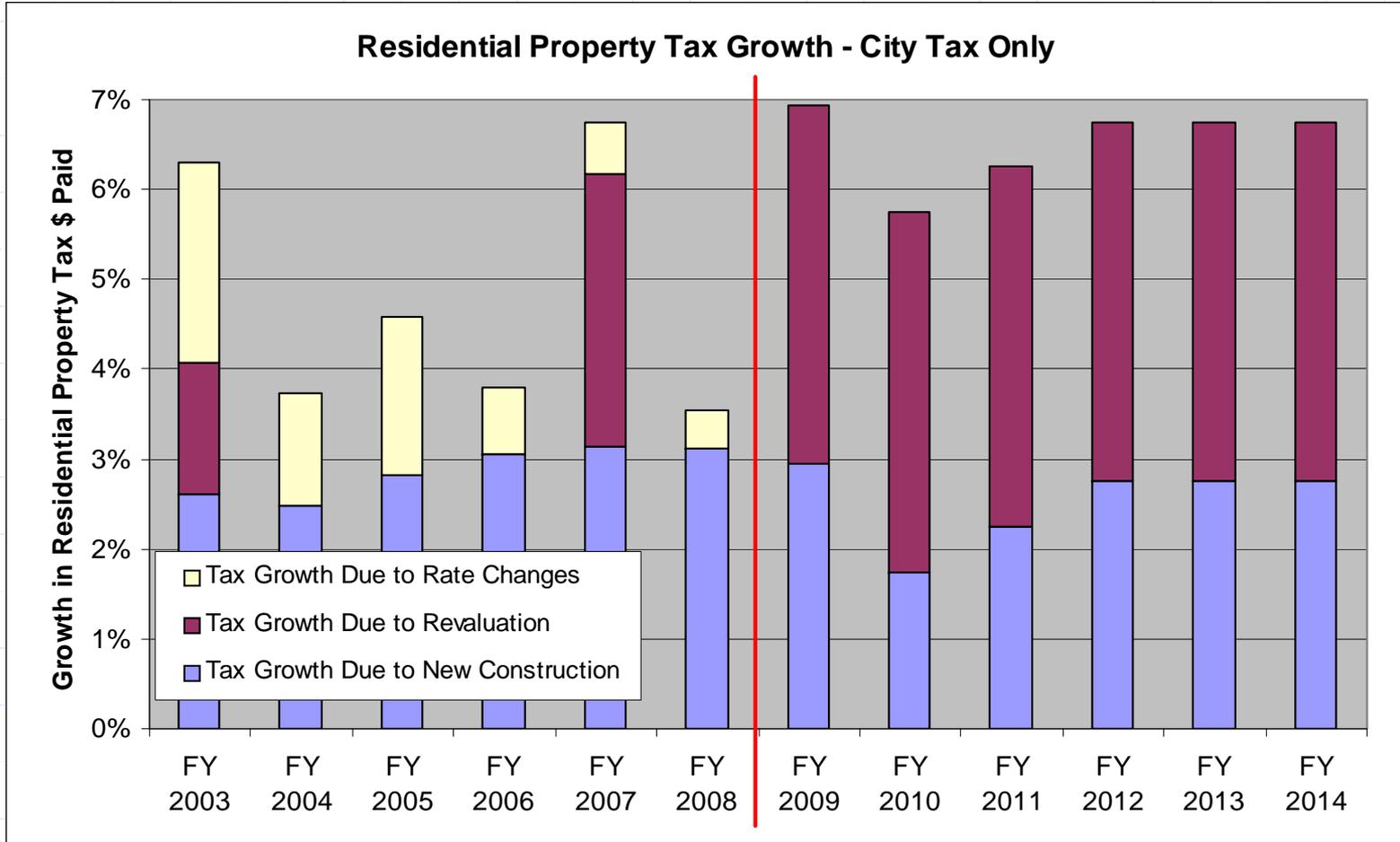
1. Growth in Taxable Value

- A. Growth from revaluation of existing property
 - limited by the rollback calculation
- B. Growth from net new construction
 - taxed at the rollback value

2. Tax Rate Growth

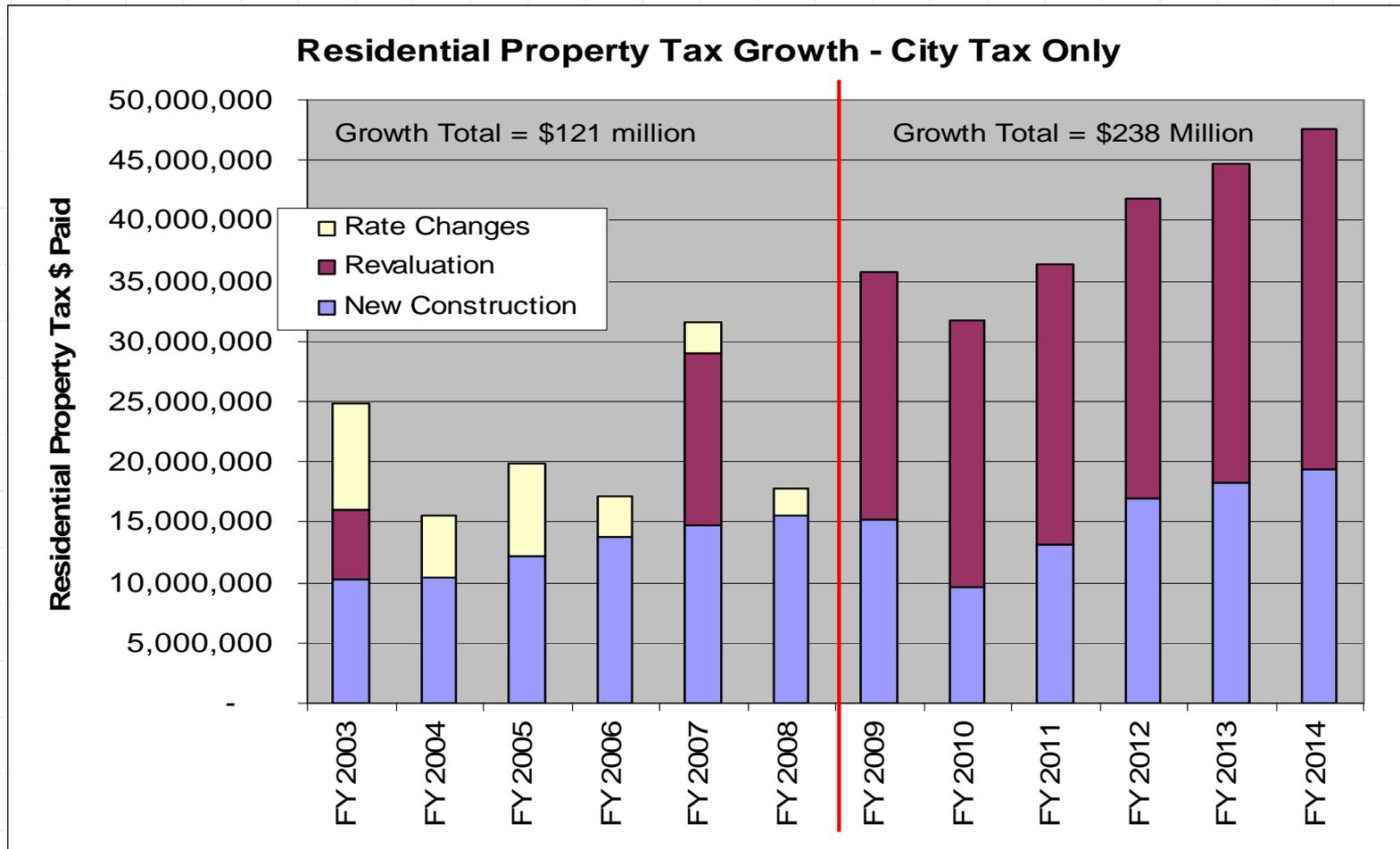
City Residential Property Tax Percent Growth

Assumes no tax rate changes FY 2009 through FY 2014

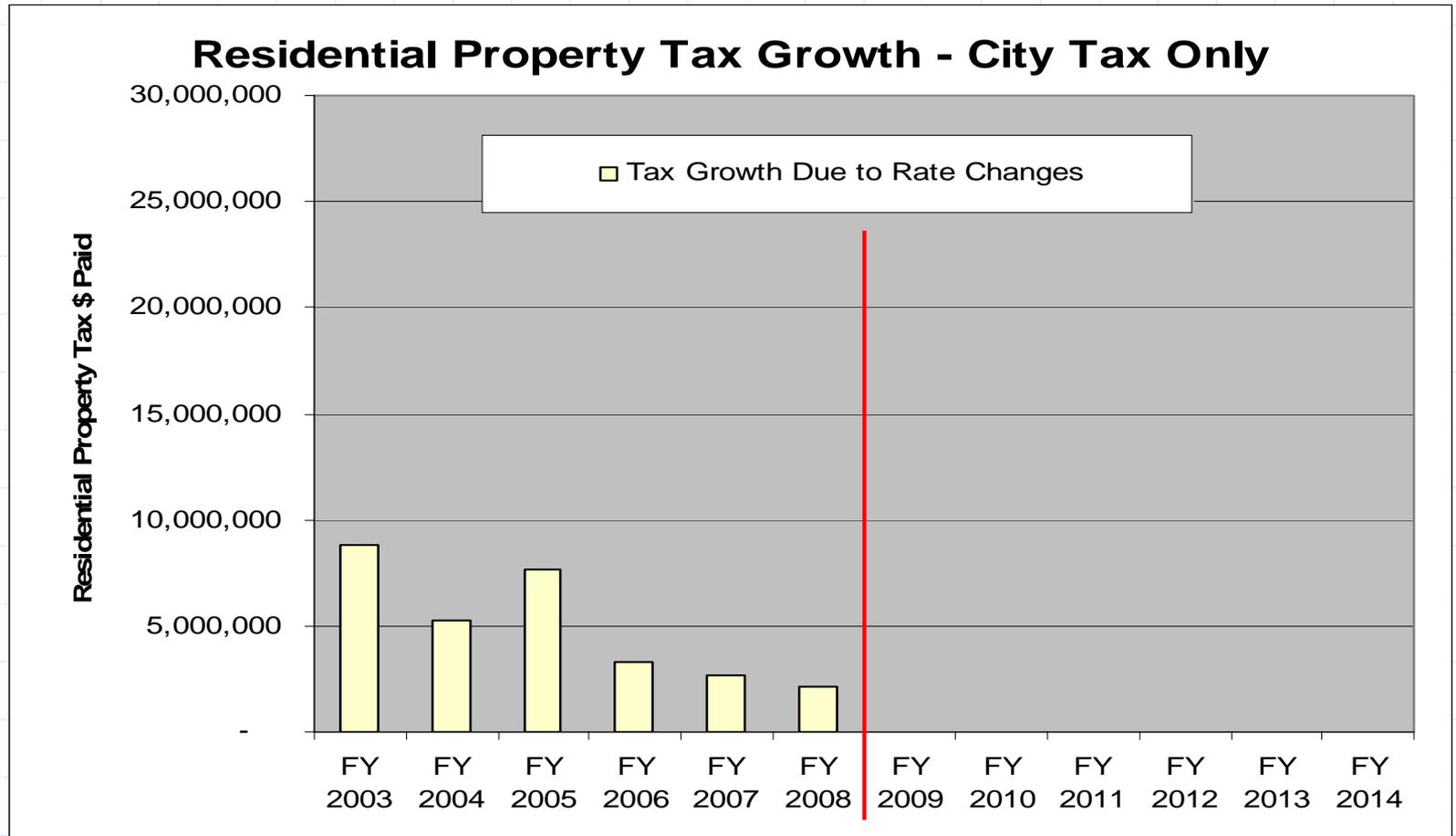


City Residential Property Tax Dollar Growth

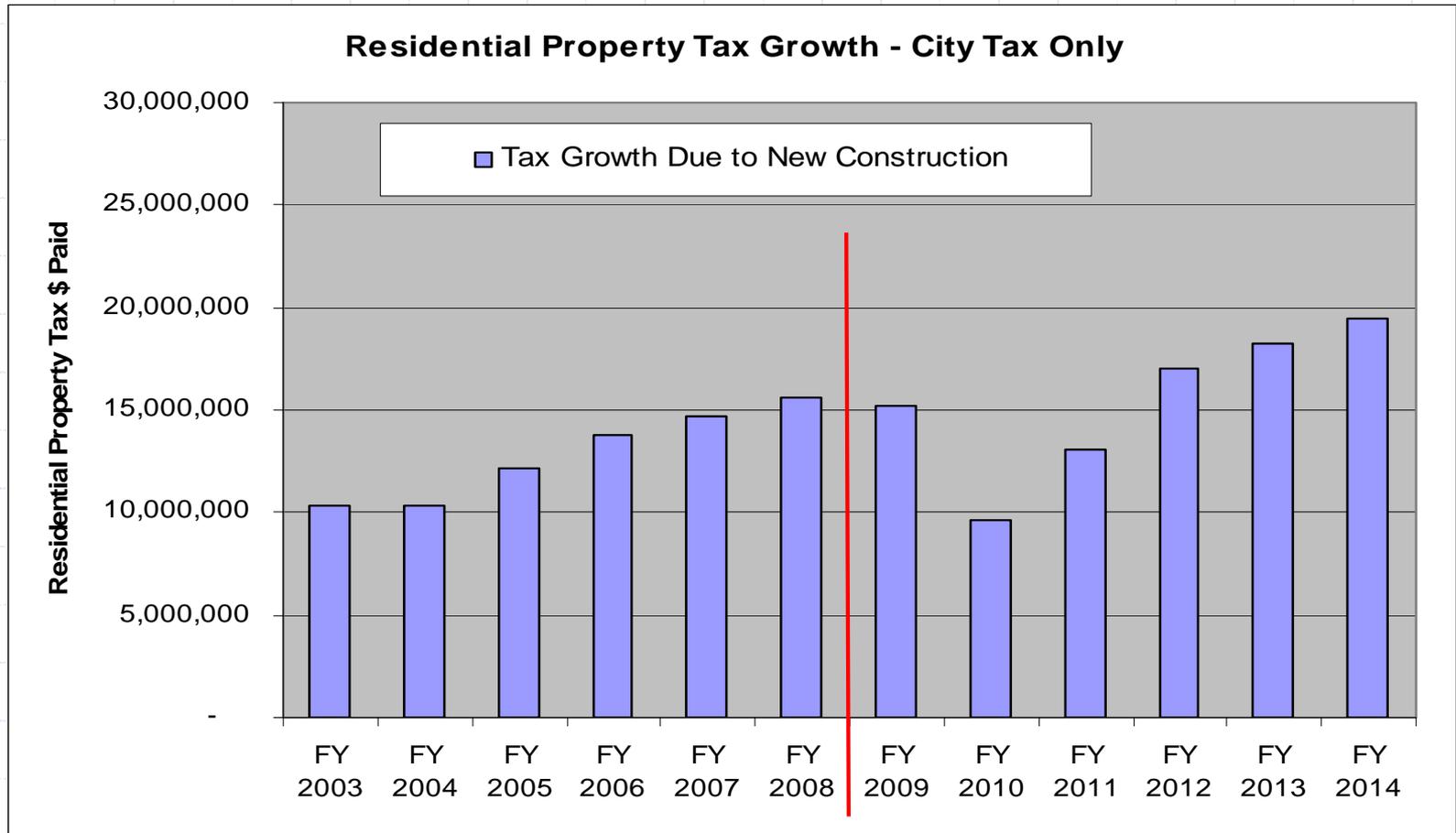
Assumes no tax rate changes FY 2009 through FY 2014



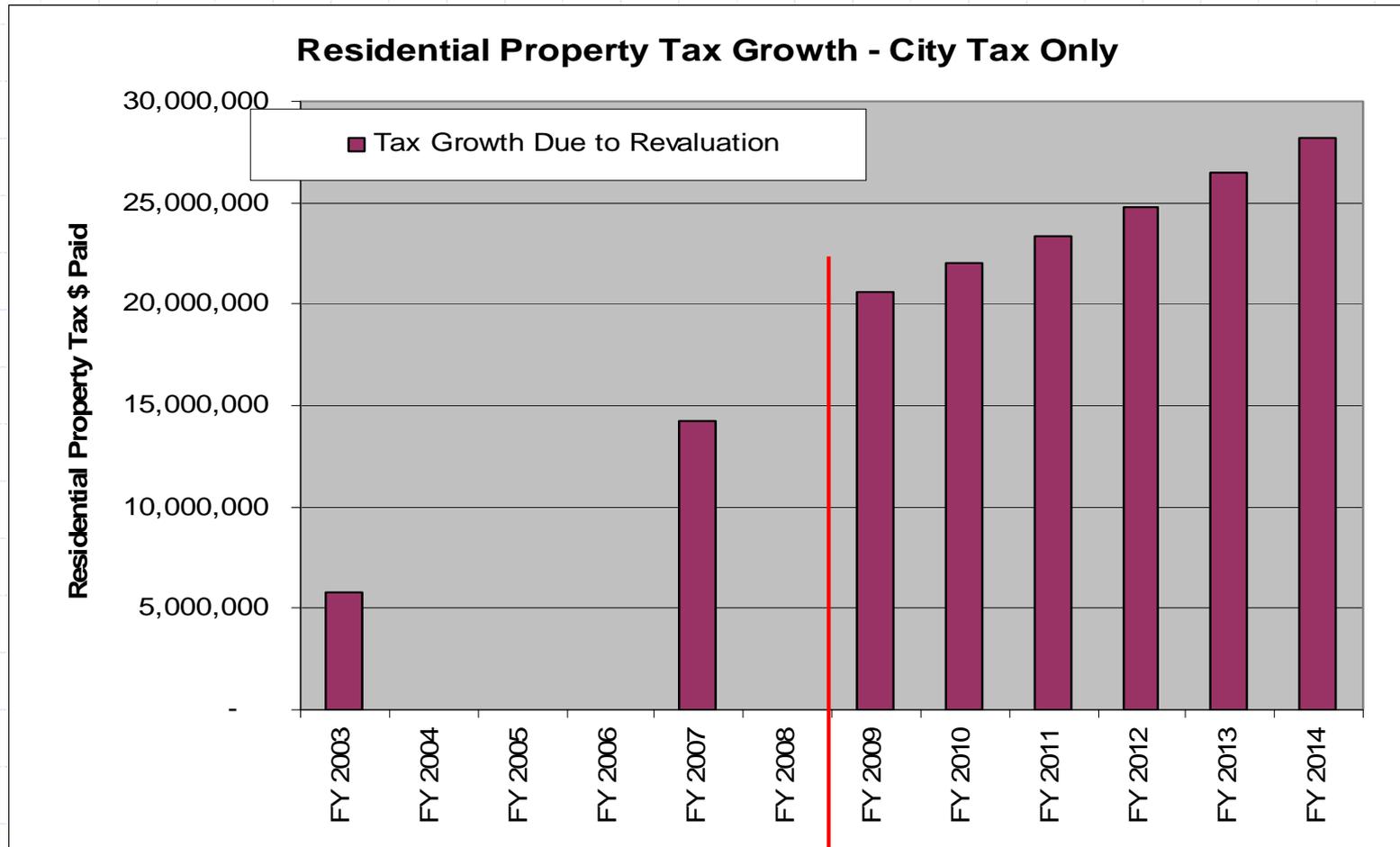
City Residential Property Tax Dollar Growth – Tax Rate Change Component



City Residential Property Tax Dollar Growth – New Construction Component



City Residential Property Tax Dollar Growth – Net Revaluation Component



Statewide Average City Tax Rate History

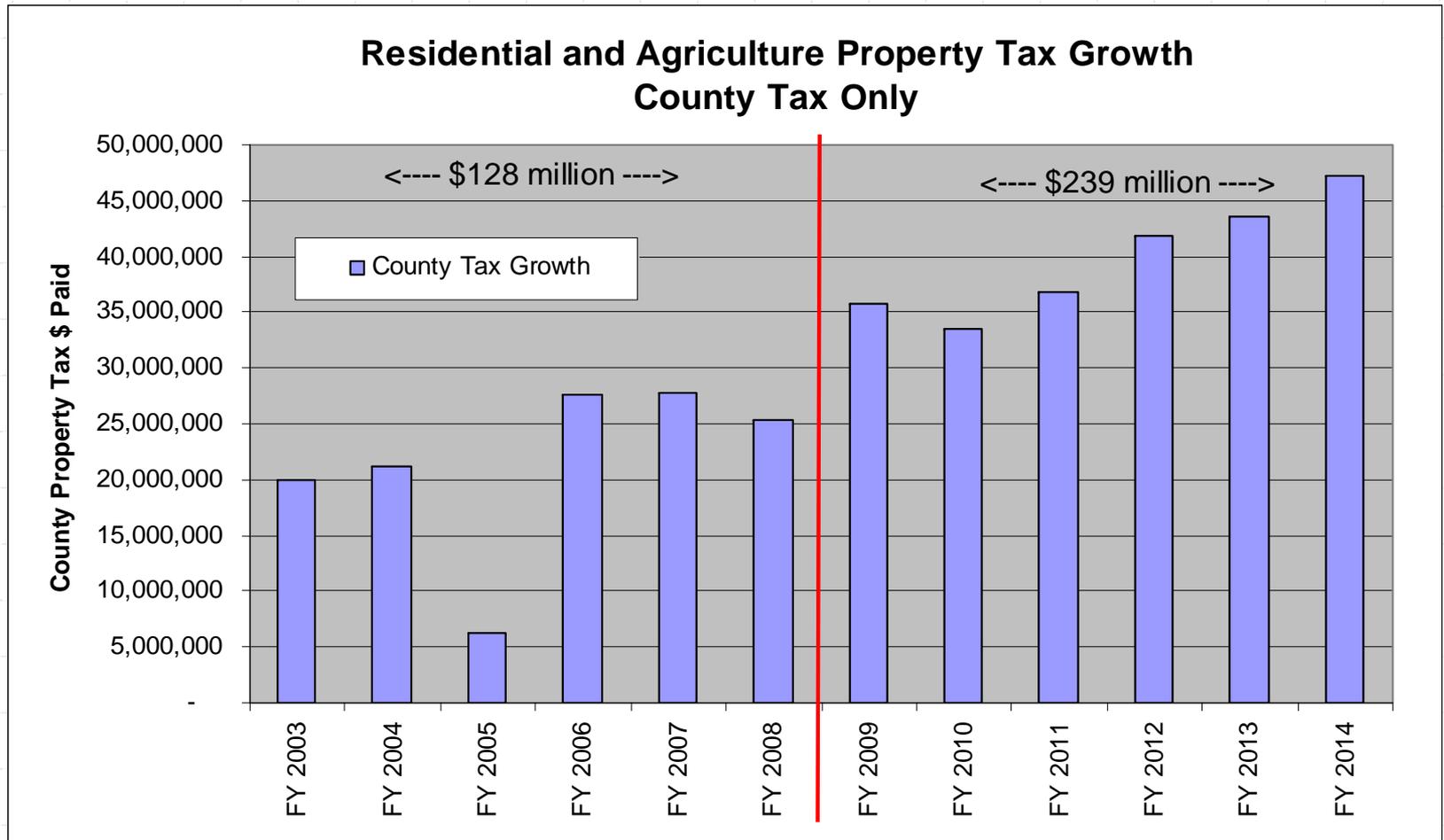
City Taxable Value, Taxes Paid, and Average Rates All Property Classes

	Taxable Value in Billions	Taxes Paid in Millions	Average Tax Rate Per Thousand	Rate Growth in Dollars Per Thousand	% Tax Rate Growth
FY 2001	\$55.9	\$714.5	\$12.79		
FY 2002	58.5	755.5	12.91	\$0.12	0.9%
FY 2003	60.8	801.3	13.18	0.27	2.1%
FY 2004	62.6	835.0	13.35	0.17	1.3%
FY 2005	64.9	881.4	13.58	0.23	1.7%
FY 2006	66.5	911.4	13.69	0.11	0.8%
FY 2007	70.5	971.0	13.77	0.08	0.6%
FY 2008	72.9	1,008.6	13.84	0.07	0.5%
Average Annual Growth Rate	3.9%	5.0%	1.1%		

Statewide Average City Tax Rate History

- ◆ 13% of the urban property value in Iowa had a ***city*** tax rate in FY 2008 lower than their FY 2001 rate.
- ◆ Only 3% had a lower ***consolidated*** rate – 56 cities total, including Cedar Falls and five cities on or near Lake Okoboji.

County Residential & Agriculture Property Tax Dollar Growth – Assumes no tax rate changes FY 2009 Through FY 2014



Statewide Average County Tax Rate History

County Taxable Value, Taxes Paid, and Average Rates All Property Classes

	Taxable Value in Billions	Taxes Paid in Millions	Average Tax Rate Per Thousand	Rate Growth in Dollars Per Thousand	% Tax Rate Growth
FY 2001	\$96.6	\$637.9	\$6.60		
FY 2002	101.2	675.7	6.68	\$0.08	1.2%
FY 2003	104.5	706.3	6.76	0.08	1.2%
FY 2004	107.0	741.1	6.93	0.17	2.5%
FY 2005	104.7	768.3	7.34	0.41	5.9%
FY 2006	106.7	810.1	7.59	0.25	3.4%
FY 2007	112.6	853.4	7.58	-0.01	-0.1%
FY 2008	115.5	896.5	7.76	0.18	2.4%
				1.16	
Average Annual Growth Rate	2.6%	5.0%	2.3%		

Statewide Average County Tax Rate History

- ◆ Three counties representing 3% of the property value in Iowa had an average **county** tax rate in FY 2008 lower than their FY 2001 average rate.
- ◆ No counties had a county-wide average **consolidated** rate in FY 2008 lower than the average county-wide rate in FY 2001.
 - ◆ Note: In both instances, the average is calculated by dividing the total county taxes paid by the taxable value of the property in the county.

What did a 4% taxable value growth limit mean in 1980 and what does it mean now?

